

# NEWS RELEASE

## Hong Kong and Singapore rated best for economic freedom, Zimbabwe and Angola rank worst

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For Immediate Release

**VANCOUVER, CANADA**—Hong Kong continues its reign as the most economically free region on the globe, as it once again is ranked number one in the *Economic Freedom of the World: 2008 Annual Report*, released today by independent research organization the Fraser Institute.

Singapore is ranked second followed by New Zealand in third. Zimbabwe once again has the lowest level of economic freedom among the 141 jurisdictions included in the study, followed by Angola and Myanmar.

The annual peer-reviewed Economic Freedom of the World report is produced by Canada's Fraser Institute in cooperation with independent institutes in 75 nations and territories.

It uses 42 different measures to create an index ranking countries around the world based on policies that encourage economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of private property. Economic freedom is measured in five different areas: (1) size of government; (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labor and business.

Research shows that individuals living in countries with high levels of economic freedom enjoy higher levels of prosperity, greater individual freedoms, and longer life spans. This year's report also contains new research showing the impact of economic freedom on poverty reduction.

"Economic freedom is one of the key building blocks of the most prosperous nations around the world. Countries with high levels of economic freedom are those in which people enjoy high standards of living and personal freedoms. Countries at the bottom of the index face the opposite situation; their citizens are often mired in poverty, are governed by totalitarian regimes and have few if any, individual rights or freedoms," said Fred McMahon, Fraser Institute director of trade and globalization studies.

The full report is available at [www.freetheworld.com](http://www.freetheworld.com)

### **International Rankings**

In this year's main index, Hong Kong retains the highest rating for economic freedom, 8.94 out of 10. The other top scorers are: Singapore (8.57), New Zealand (8.28), Switzerland (8.2), the United Kingdom (8.07), Chile (8.06), Canada (8.05), Australia (8.04), the United States (8.04), and Ireland (7.92).

The rankings and scores of other large economies are Germany, 17 (7.64); Taiwan, 18 (7.63), Japan, 27 (7.48); South Korea, 29 (7.42); Sweden, 33 (7.35); France, 45 (7.19); Italy, 49 (7.15); Mexico, 58 (6.98); India, 77 (6.59); China, 93 (6.29); Brazil, 96 (6.16); and Russia, 101 (6.12).

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Several countries have substantially increased their ratings and become relatively free during the past decade. Estonia increased its rating by 2.27 points since 1995 and is now one of the freest economies in the world. Lithuania and Latvia have increased their ratings by at least two points since 1995 and their 2006 ratings are greater than 7.0. The ratings of Cyprus, Hungary, Kuwait, and South Korea have also improved substantially and their ratings are now 7.3 or more. Two African economies, Zambia and Ghana, have become substantially freer with ratings of 7.13 and 7.04, respectively.

However, African nations continue to occupy most of the bottom spots on the index with the lowest levels of economic freedom, joined by Venezuela and Myanmar. The 10 nations with the lowest levels of economic freedom are: Zimbabwe (2.67), Angola (4.10), Myanmar (4.19), the Republic of Congo (4.64), Niger (4.67), Venezuela (4.67), Guinea-Bissau (5.01), Central Africa Republic (5.01), Chad (5.12), Rwanda (5.23), and Burundi (5.23).

“Weakness in the rule of law and property rights is particularly pronounced in sub-Saharan Africa, among Islamic nations, and for many nations that were part of the former Soviet bloc,” said James Gwartney, lead author of the report and professor of economics at Florida State University.

“Many Latin American and Southeast Asian nations also score poorly for rule of law and property rights. The nations that rank poorly in this category also tend to score poorly in the trade and regulation categories, even though several have reasonably sized governments and sound money.”

## **Economic Freedom and World Poverty**

The 2008 edition of the Economic Freedom of the World report includes new research from Gwartney and Seth W. Norton, professor of business at Wheaton College, examining the role of economic freedom in eliminating poverty with a particular focus on sub-Saharan Africa.

They point out that numerous studies have shown that countries with more economic freedom grow more rapidly and achieve higher per-capita income levels than those that are less free; therefore, it would seem that this growth should also help reduce poverty.

Gwartney and Norton note that since economic growth is the driving force underlying reductions in poverty, countries such as Chile, Peru, Thailand, Malaysia, South Korea, China, and India have seen their poverty rates decrease in recent decades because these countries have achieved rapid economic growth.

“If a country adopts reforms supportive of economic freedom, will the wellbeing of the poor improve? Theory indicates that the answer to this question is “yes,” but substantial reductions in poverty are likely to take some time,” Norton said.

“It will take time for the new policy direction to acquire credibility, investors and other decision-makers to respond to the more attractive environment, and the rate of growth to increase. As the higher level of economic freedom is sustained and the more rapid growth persists, poverty rates will fall, and they will fall by larger amounts with the passage of time.”

The authors conclude that the institutions and policies of most sub-Saharan African nations are highly inconsistent with economic growth. The failure of the legal system to protect property rights, the roadblocks imposed by trade restrictions, and the heavy regulation and administrative costs imposed on business undermine economic growth because they stifle the gains from trade, entrepreneurship, and investment. Given that most of the sub-Saharan countries are relatively small, the high trade barriers are particularly damaging.

In order to encourage economic growth in Africa, Norton and Gwartney recommend that African nations reduce and eliminate trade barriers and business regulations; improve their legal system; and develop an interstate highway system through Africa.

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**About the Economic Freedom Index**

*Economic Freedom of the World* measures the degree to which the policies and institutions of countries are supportive of economic freedom.

This year's publication ranks 141 nations representing 95 per cent of the world's population for 2006, the most recent year for which data are available. The report also updates data in earlier reports in instances where data have been revised.

For more information on the Economic Freedom Network, data sets, and previous Economic Freedom of the World reports, visit [www.freetheworld.com](http://www.freetheworld.com)

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